GAIDAR INSTITUTE FOR ECONOMIC POLICY

RUSSIAN ECONOMY IN 2016
TRENDS AND OUTLOOKS
(*ISSUE 38*)

Gaidar Institute Publishers
Moscow / 2017

UDC 338.1(470+571)"2016"
BBC 65.9(2Рос)

R95 **Russian Economy in 2016. Trends and Outlooks. (Issue 38) /** [V. Mau at al; ed. S. Sinelnikov-Murylev (editor-in-chief), A. Radygin]; Moscow: Gaidar Institute Publishers 2017. – 480 pp. – ISBN 978-5-93255-502-6

The review provides a detailed analysis of main trends in Russian economy in 2016. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and budget spheres; financial markets; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

UDC 338.1(470+571)"2016"
BBC 65.9(2Рос)

ISBN 978-5-93255-502-6

Elena Avraamova, Aleksandra Burdyak, Elena Grishina, Dmitry Loginov, Victor Lyashok, Tatiana Maleva, Nikita Mkrtchyan, Aleksandra Poliakova, Yulia Florinskaya

Social Sphere

5.1. Household sector: income, consumer and labor markets[1]

5.1.1. Household income and poverty level of the population

Household real disposable income and real pensions decelerated by 6.1% and 2.5% in December 2016 in comparison with the same period of 2015 (*Fig. 1*). In contrast, real wage went up by 2.4% in December 2016 compared to the same period of the previous year.

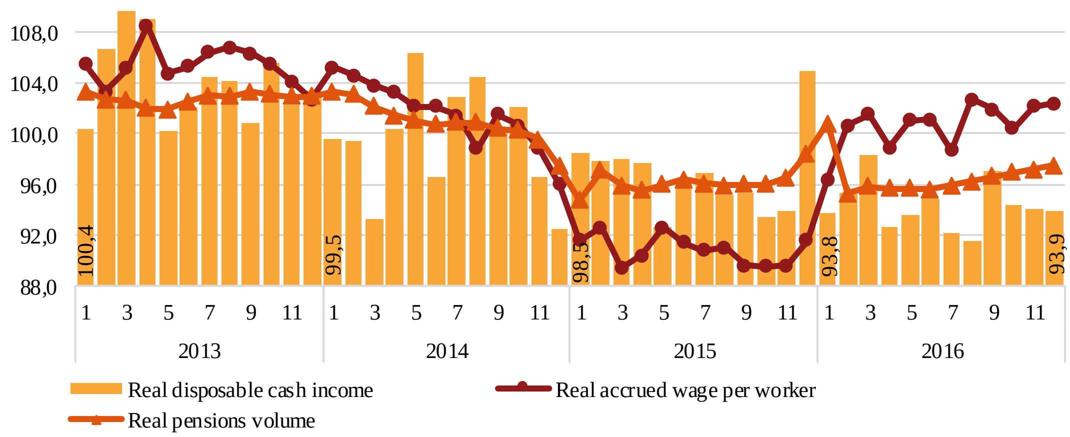

Fig. 1. Dynamics of household real disposable cash income, real accrued wage and real pensions in 2013–2016, in % to corresponding period of previous year

Source: Russian State Statistics Service (Rosstat).

Household real disposable cash income decelerated 5.9% and real pensions decelerated 3.4% in 2016 compared to the previous year. In contrast, the real wage stayed flat in 2016 against last year and amount to 100%.

In 2016, household real disposable cash income came to 90.5%, real accrued wage – 92.6%, and real pensions – 93.8% against the 2013 level.

The share of savings fell from 14.3% to 11.3% in the structure of household cash income in 2016 compared to the previous year. However, it remains above the level of this indicator seen during the corresponding periods of 2011–2014 (*Fig. 2*).

[1] Authors of chapters 5.1–5.4 researchers of ISAF RANEPA E. Avraamova, A. Burdyak, E. Grishina, D. Loginov, V. Lyashok, T. Maleva, N. Mkrtchyan, A. Poliakova, Yu. Florinskaya.

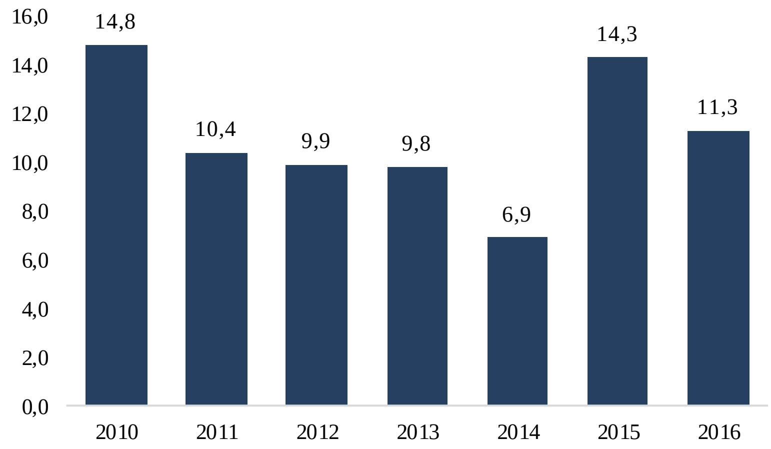

Fig. 2. Share of household cash income allocated for savings 2010–2016, %

Source: Rosstat.

In contrast, in 2016, the share of cash income spent on purchases of goods and services increased from 71.0% to 72.5% against the previous year. However, it stays below the level of this indicator as of 2011-2014 (*Fig. 3*).

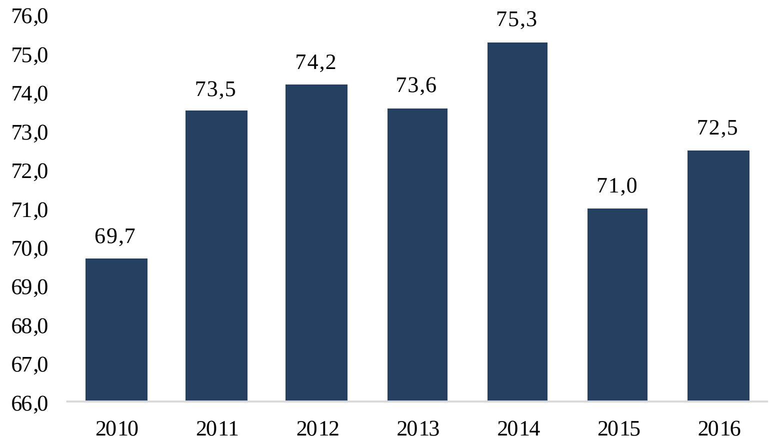

Fig. 3. Share of household cash income spent on purchases of goods and services in 2010–2016, %

Source: Rosstat.

Draft Resolution of the Russian Government "On Determination of Per-Capita Subsistence Level and Across Main Social and Demographic Groups of Population as a Whole in the Russian Federation for 4th Quarter of 2016"[1] notes that per-capita subsistence level as a whole across the Russian Federation amounts to RUB 9,691, for working population – RUB 10,466, for pensioners – RUS 8,000, and children – RUB 9,434.

The ratio of the average per-capita cash income to the subsistence level for the entire population amounted to 371.7%, which is below the level seen during the same periods of

[1] Federal portal for draft normative and legal acts--http://regulation.gov.ru/projects#npa=61752

2009–2015 (*Fig. 4*). The ratio of the average pension to the subsistence level totaled to 155.5% in Q4 2016, which corresponds to the same period of the previous year but is below the level that it was during the same periods in 2010–2014.

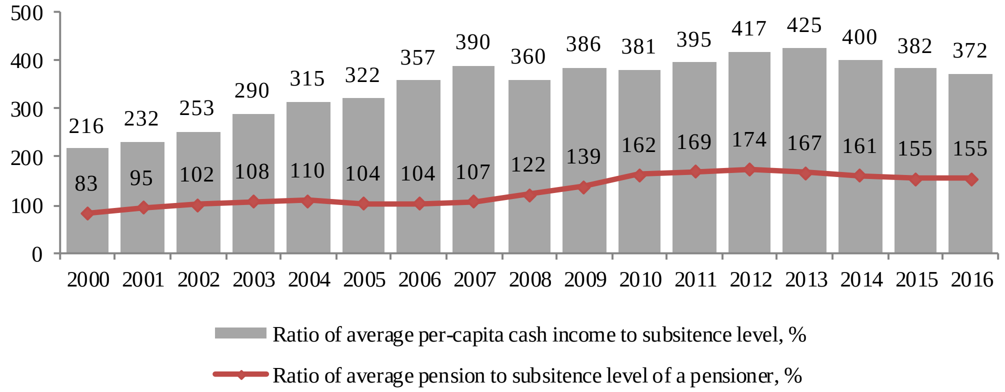

Fig. 4. Ratio of average per-capita cash income and average pensions to subsistence level, Q4 2000–2016, %

Source: Rosstat.

The poverty level in Q3 2016 amounted to 12.8% below the level seen during the same period of the previous year (12.4%).[1] On the whole, the poverty level in January-September 2016 came to 13.9% slightly below poverty level seen in January-September of 2015 (14.1%), however, above the level observed during the same periods of 2012–2014 (*Fig. 5*).

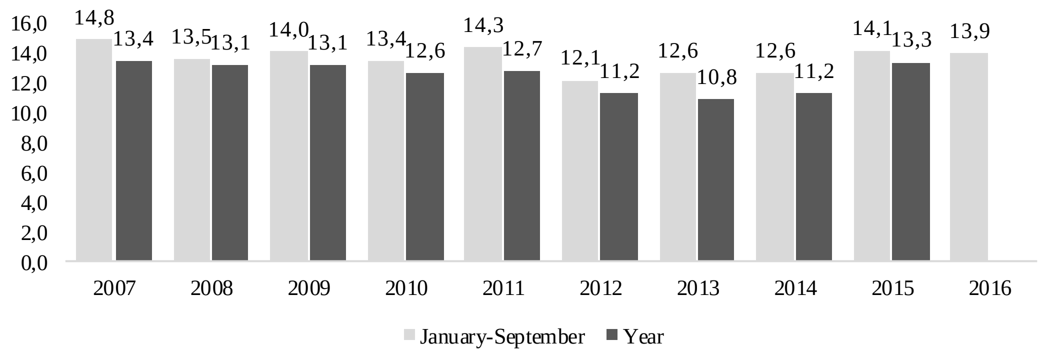

Fig. 5. Share of population with cash income below subsistence level across Russia as a whole, 2007–2016, %

Source: Rosstat.

According to the data released by Rosstat, in Q3 2016, on average across the Russian Federation, according to household self-evaluation 20.6% of households were poor and reported sufficient cash only for foodstuffs or even shortage of cash for foodstuffs (*Fig. 6*).

[1] On ratio of household cash income to the subsistence level in the |Russian Federation as a whole in Q3 2016; Rosstat, Socio-economic situation in Russia, 2007–2016.

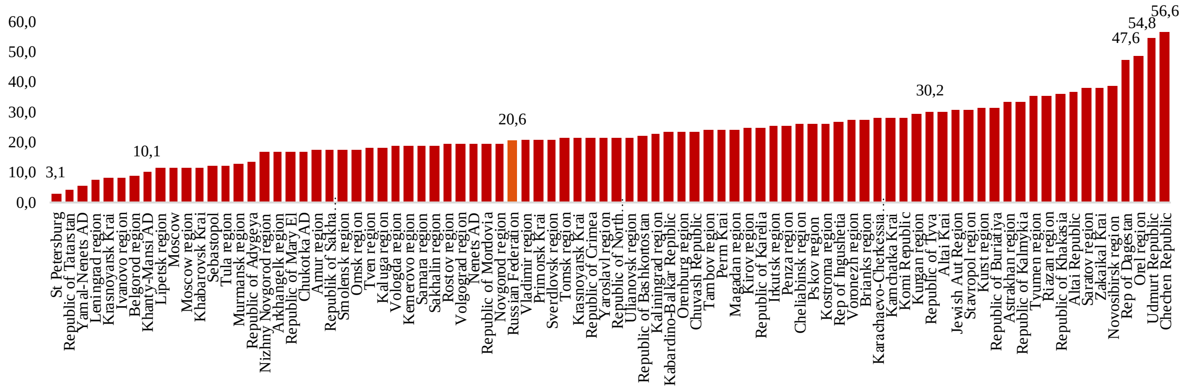

Fig. 6. Share of households with sufficient cash for food or short of cash for food, Q3 2016, %

Source: Rosstat.

However, the level of subjective powerty was higher in more than half of Russian regions. The highest levels of subjective poverty (1.5 times above the all-Russia level) were observed in 16 regions: Stavropol (31.0%) and Zabailkal (38.2%) Krai; Kursk (31.2%), Astrakhan (33.5%), Tyumen (35.2%), Ryazan (35.5%) Saratov (38.1%), Novosibirsk (38.9%) and Orel (48.8%) regions; Republics of Buriatia (31.5%), Kalmykia (33.6%), Khakasia (35.8%), Altai (36.6%), Dagestan (47.6%), as well as in Udmurt (54.8%) and Chechen Republics (56.6%).

In 44% of regions (37 regions) more than 10% of households were strapped for cash and could not pay for housing and utilities services. In 41% of regions (35 regions) over 10% of households struggled financially and could not pay for drugs prescribed for urgent treatment (*Fig. 7*).

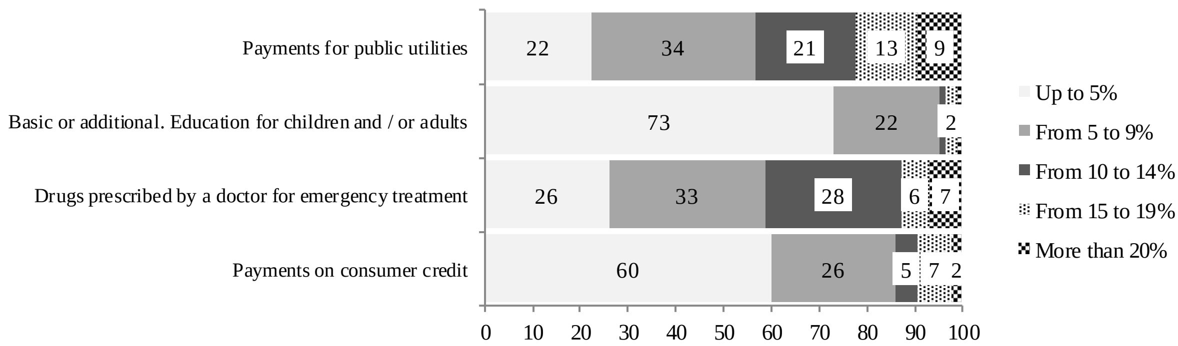

Fig. 7. Breakdown of regions across share of households struggling financially which prevented them to pay for various types of expenses, Q3 2016, %

Source: Rosstat.

In Q3 2016, the most complicated situation regarding payments for housing and utilities services was observed in Karachaevo-Cherkassia and Chuvash Republics, Primorsk Krai, Republics of Khakasia and Tyva, Astrakhan, Saratov and Ryazan regions, which reported over

20% of households, which struggled financially and could not pay for housing and utilities services.

Major problems with payment for prescribed medicine were observed in Republic of Khakasia, Stavropol and Primorsk Krai, Astrakhan, Saratov and Ryazan regions where the share of households struggling financially came to over 20%.

The situation with payment for core and extended education is better: in 73% of regions, less than 5% of the households struggled financially to an extent, which prevented them to pay for core or extended education of children or grownups.

As far as payments for consumer credits are concerned, 14% of regions (12 regions) number over 10% of households, which struggled financially to an extent that they could not pay for consumer credits, and two regions (Republics of Altai and Tyva) number over 20% of those households, which struggled financially to an extent that prevented them from paying for consumer credits.

According to the Bank of Russia in 2016, growth of retail lending was observed; annual growth amounted to 1.1% (excluding currency revaluation effect: +1.4%).[1] In contrast, in 2015, retail lending declined by 5.7% (-6.3%).[2]

Thus, the prolonged decline of the household real cash income and of real pensions resulted in the deterioration of the material well-being of the population and raised risks pf subjective poverty and social exclusiveness concerns. In certain regions, those risks are getting strength manifold. Despite weak wage growth observed in 2016 against last year (by 0.6%), the real wage level did not rebound against the one seen in 2013.

5.1.2. Retail trade turnover and dynamics of consumer prices

In nominal terms, the volume of retail trade totaled to RUB 28,137.1bn, and its changes were minimal against last year (in 2015 – RUB 27,538.4) and they practically were offset by inflation. Total volume of retail trade in constant prices in 2016 came to 94.8% to that of January-December of 2015. Decrease of retail trade volumes by 5.2% on the previous year to a greater extent was observed in the food sector (-5.3% to 2015), trade in non-food products fell by 5.1% (*Fig. 8*). During last two years, retail trade contracted by 14.7% including the sale volume of food products, beverages and tobacco went down by 13.8% and that of non-food products – by 15.4%.

During last year, the pattern of retail trade turnover reduplicated 2015 entirely. Food-products, beverages and tobacco accounted for 48.7%, and non-food goods accounted for 51.3%. In 2013–2014, food products accounted for 47.7% of retail trade turnover. However, during last two years, their share increased and retail trade structure was similar to that of 2009–2010 (then, food products accounted for 48.6%).

While analyzing monthly dynamics, in December 2016, the retail trade turnover in constant prices decreased by 5.9% against December 2015 reflecting the contraction by 6.5% of trade in food products and by 5.3% – in non-food products. Trade turnover reduction by 19.2% during two years from December 2014 through December 2016 in constant prices, including that in non-food products – by 22.0% and in non-food products – by 15.9% was record high. Partly it

[1] Bank of Russia. On dynamics of Russia's banking sector development in December and of the outcomes of 2016 – [Electronic resource]. URL: http://cbr.ru/analytics/bank_system/din_razv_16_12.pdf

[2] Bank of Russia. On dynamics of Russia's banking sector development in December 2015 – [Electronic resource]. URL: https://www.cbr.ru/analytics/print.aspx?file=bank_system/din_razv_15_12.htm&pid=bnksyst&sid=ITM_1155

was due to panic buying and upsurge in purchases of manufactured goods at the onset of the crisis in November-December 2014. Prior to this peak, from October 2014 through October 2016, the volume of retail trade contracted by 15.3% in constant prices, sales on non-food products declined by 15.3% and in February-May 2016 this segment of trade demonstrated just as large contraction (up to 16.6% over two years).

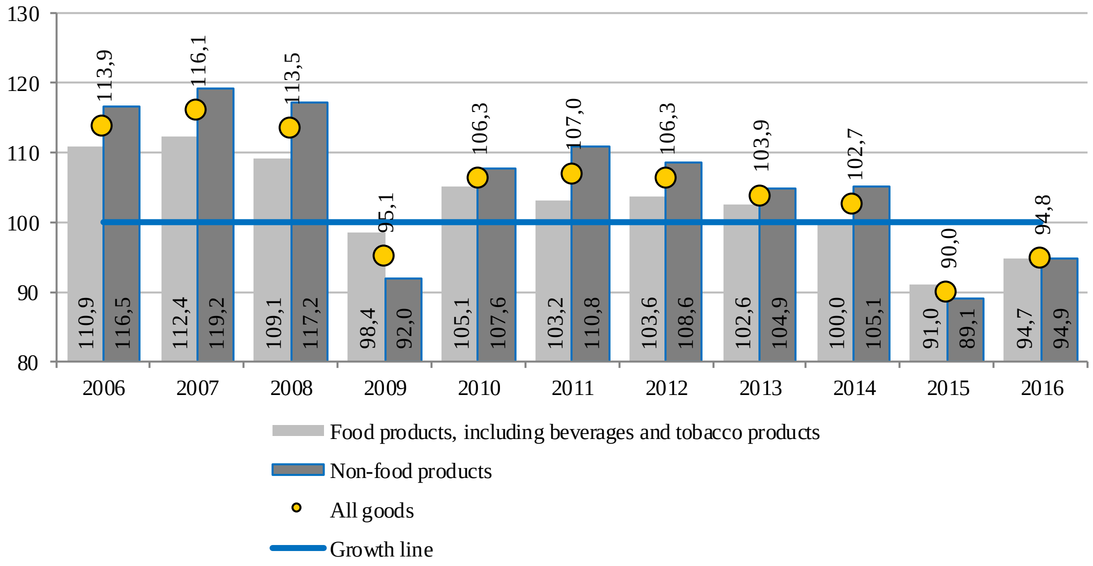

Fig. 8. Dynamics of retail trade turnover in food products, including beverages and tobacco products, and non-food products, in % to previous year in constant prices

Headline inflation amounted to 5.4% at 2016-end. Of which prices on foodstuffs went up by 4.6%, prices on non-food products increased by 6.5% and the prices on services moved up by 4.9% against 2015. What do consumer prices dynamics look like in 2016 against the background of past years? In early 2000s, prices grew at a pace above 10% per annum and there is no sense in comparing them with the prices of that period. Ten percent threshold was briefly broken in 2006 (9%) and later annual consumer price index stayed in the range of 6.5% to 8.8% in 2009–2013. Consequently, against the backdrop of *all* previous years, 2016 emerges as a year with low consumer inflation.

If we analyze price dynamics in terms of quarter-on-quarter chronology against year-on-year one (*Fig. 9*), lower than in 2016 price growth was observed in Q1 and Q2 2012 (3.7% – 4.4% against the same period of the previous year). Then, it was due to record low food inflation (0.2–2.9%) but in H2 price growth accelerated and the year-end inflation was higher against the previous year.

The reviewed years also demonstrated a faster pace of service prices growth compared to 2016 (4.9%). Lower inflation rates (3.7–4%) was observed in Q1 and Q2 2012. Against the backdrop of the previous years, 2016, in contrast, was not indicative because for a long time in 2010–2014 price on this group of goods grew at a slower pace than last year.

In terms of monthly indexes at year-end, from December 2016 against December 2015, prices peaked on the following foodstuffs: butter (+20.5%), milk and dairy products (9.5%), fish and seafood (8.6%), cereals and beans (6.4%). In the course of the year, prices decelerated on eggs (-0.7%), sugar (-6.0%), and fruit and vegetable products (-6.8%). Alcoholic beverages went up in price by 6.4%, tobacco products – by 17.8%.

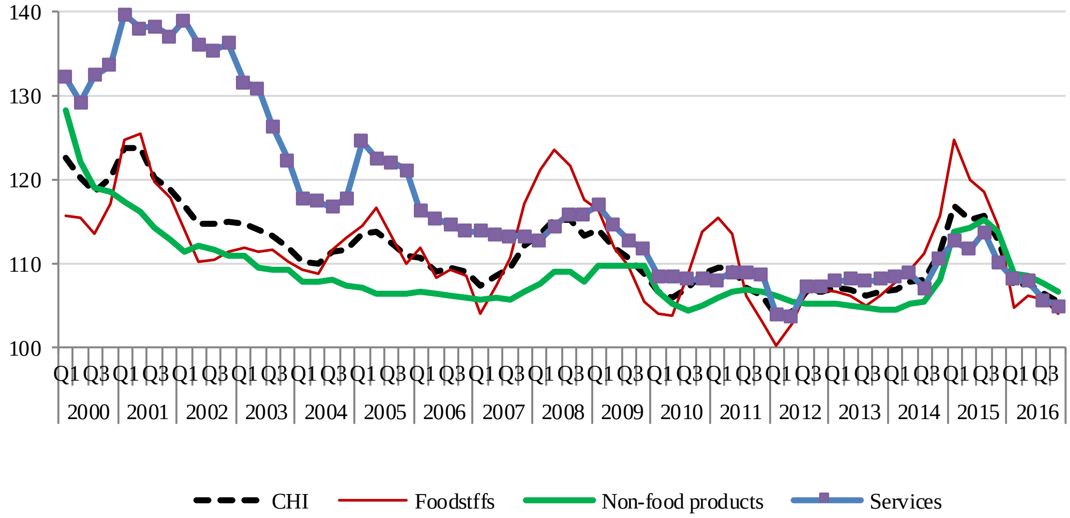

Fig. 9. Total Consumer Price Index (CPI), foodstuffs price indexes, non–food products and services at quarter-end, in % to the same quarter of previous year

At December-end 2016, the minimum consumption basket averaged RUB 3,701.9 across Russia and increased since the turn of the year by 3.5%. Total growth rates on foodstuffs outpaced those of the minimum consumption basket for 2016.

In the group of non-food products footwear price increased by 9%, clothes – by 6.9%, textile products and glassware, cutlery and housewares – by 7.7-8.3% (December 2016 on December 2015). Price on furniture, carpets grew by 3.8% and household appliances – by 5.2%. Drugs, treatment tools and equipment went up in price by 5.3%, prices on outpatient services went up by 7.8%, and those on hospital services – by 9.6%. On the whole, health care services were more expensive by 6.5% to the consumer (a year earlier +16.4%).

In December 2015 against December 2015, education and hotel services went up in price by 6.9%, personal services – by 7.9%, social security – by 9.3%, transportation services – by 6.6%, services on recreation organization and cultural events – by 6%, and communication – by 2.5%. Prices on housing services accelerated 5.2%, including those on electricity, gas, and fuel - up 4.8%, water supply and other public utilities – up by 6.3%. Financial services declined in price by 6.3%.

In terms of value of fixed basket of consumer goods and services designed for interregional comparison, purchasing power of the average income[1] across the Russian Federation as a whole decreased below the same index for 2010 (*Fig. 10*).

Regional differentiation of purchasing power of income declined mainly due to the fact that well-off regions became less well-off. Maximum number of fixed baskets of consumer goods and services are affordable to inhabitants of the Central Federal District (2.5). Purchasing power is at its lowest point in the Siberian Federal District – 1.7 of those baskets of goods and services.

[1] Calculated on data from «Information for monitoring of socio-economic situation of the subjects of the Russian Federation" for December 2016, Rosstat. February 7, 2017. URL: http://www.gks.ru/wps/ wcm/connect/ rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1246601078438

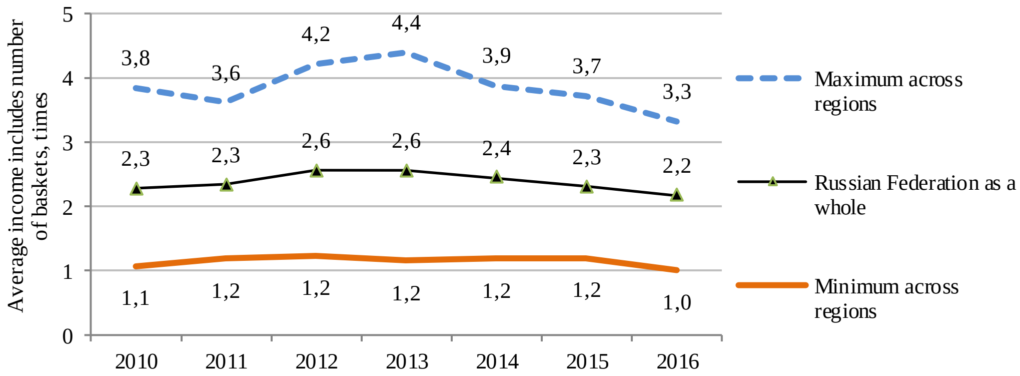

Fig. 10. Ratio of average income of Russian regions and cost of fixed basket of consumer goods and services designed for interregional comparison of purchasing power of population in November 2010–2016

The lowest purchasing power (from 1.0 to 1.4 of the cost of fixed basket of goods and services in November 2016) of cash income was registered in the following subjects of the Federation, including many national Republics: Altai, Tyva, Karachaevo-Cherkassia, Kalmykia, Ingushetia, Jewish autonomous region, Chuvashia, Mordovia, Kurgan region, Crimea, and Sebastopol.

Traditional leaders in this sphere are well-off regions. In ascending order of purchasing power of income: Republic of Bashkortostan, Magadan region, St. Petersburg, Moscow region, Republic of Tatarstan, Chukotka district, Sakhalin region, Moscow, Republic of Dagestan, Nenets and Yamal-Nenets autonomous districts. In those regions average cash income in November 2016 included between 2.5 and 3.3 fixed baskets of consumer goods and services.

5.2. Labor market dynamics

In terms of participation rate in labor force, employment and unemployment, implications of economic crisis remain practically invisible. Labor force and employment participation rate growth rates accelerated in 2016. According to the WLO methodology, the average unemployment level in 2016 down 0.1 percentage points to 5.5% against 5.6% in 2015 (*Fig. 11*). This being said, Rosstat data demonstrates seasonally adjusted unemployment declines since 2016. Dynamics of registered unemployment on the whole coincides with unemployment calculated on the WLO methodology. In absolute terms, the number of employed and economically active population remained unchanged in 2016.

Wages represented main damper on unemployment growth in 2015. In 2016, wages following a prolonged deceleration observed from Q4 2014 through Q1 2016, demonstrated moderate bur gradually accelerating growth in Q2-Q4. Nevertheless, it is premature to talk about turnaround of wages to the level observed prior to the crisis: in December 2016 wages were 6.2% below the December 2014 level and by 10% below the December 2013 level (*Fig. 12*). Wage arrears in 2016 stayed at the lowest point.

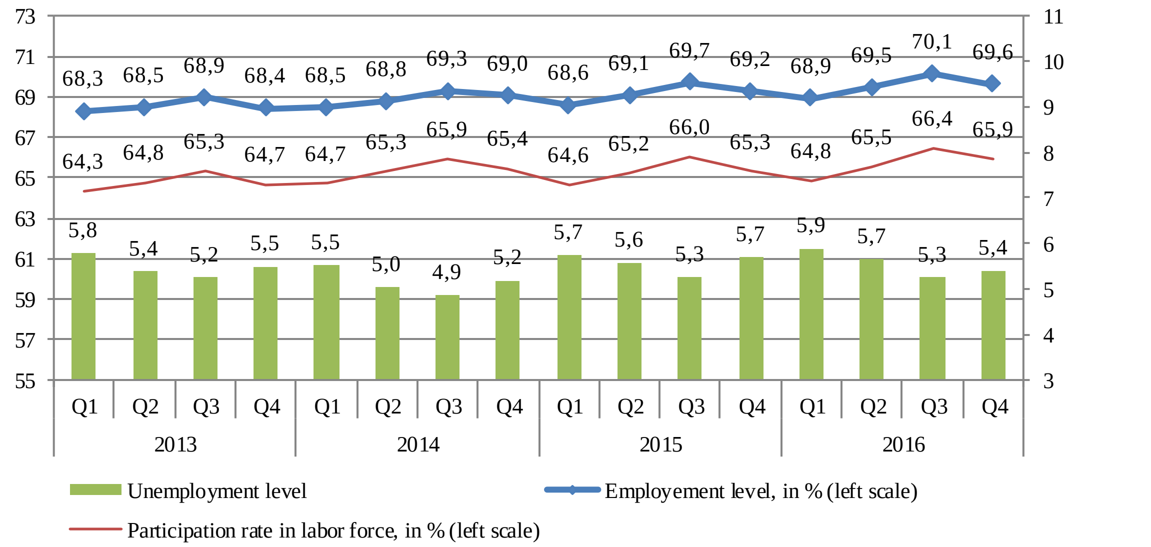

Fig. 11. Participation rates in labor force, employment, and unemployment in 2013–2016, in %

High sectoral differentiation in terms of wage dynamics is retained (data available only for 11 months of 2016). For the second consecutive year wages in agriculture, fisheries and fish farming, extraction of natural resources, manufacturing industry (specially in leather production, leather products; production of paper, paper pulp and their products; woodworking and timber products, chemical production, production of electrical, electronic and optical equipment), wholesale trade have been growing above the average rate.

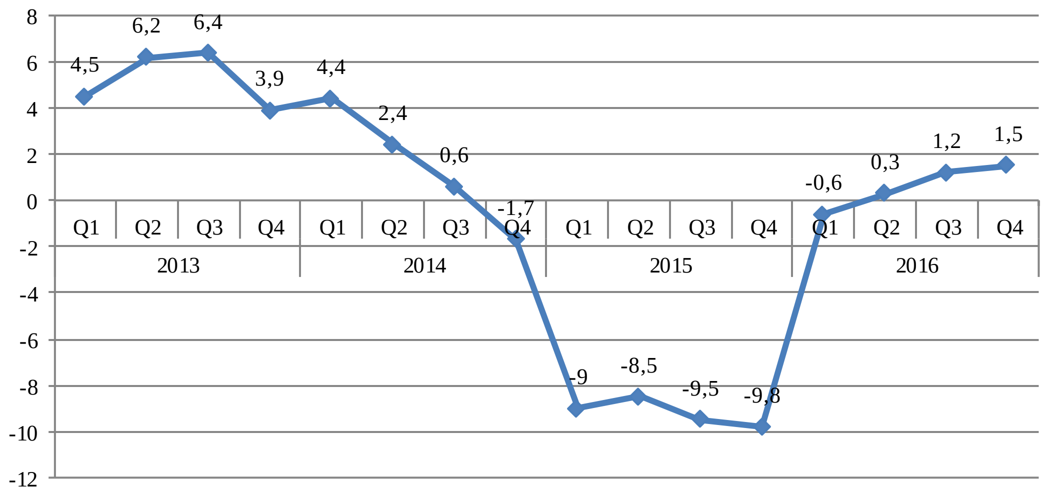

Fig. 12. Rates of real wage growth against correspsonding index of last year, in %

Financial activity demonstrates significant growth, which partly offsets sharp reduction of wages seen in this sector in 2015. On the other hand, for the second consecutive year a reduction of wages is more significant, than in the economy as a whole, in public administration, defense and social insurance, education and, to a lesser degree, in health care. Thus, public employees suffer most following a two-year recession, and, to a lesser degree, employees of other service sectors. Wages in agriculture and certain industrial sectors stayed most sustainable during the crisis period.

Other labor market data is available solely for three quarters of 2016. Data on hiring workers and on workers quitting their jobs happening at large and medium-size enterprises demonstrates positive dynamics for the first three quarters of 2016. Job quitting coefficient has been falling for the second consecutive year. Meanwhile, hiring coefficient has been increasing (*Fig. 13*). Thus, outflow of workers from large and medium-size enterprises slowed down by half compared to 2015.

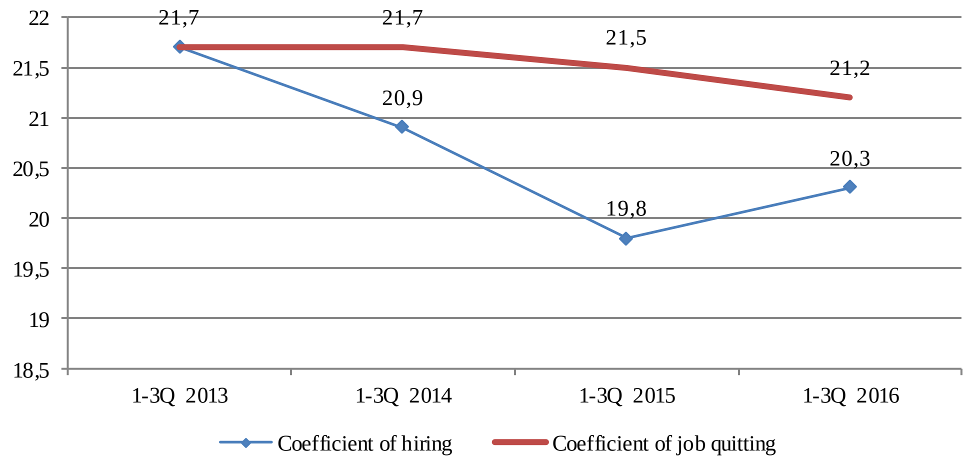

Fig. 13. Hiring and job quitting coefficients, %

Outflow of workers from large and medium-size enterprises (under stable employment level) inevitably leads to job growth in the informal sector ongoing throughout 2016 (*Fig. 14*). Having said that, the outflow of workers and unemployment growth reported in 2015 with sustainable growth of the informal sector demonstrates that the latter is unable to comprise everyone interested.

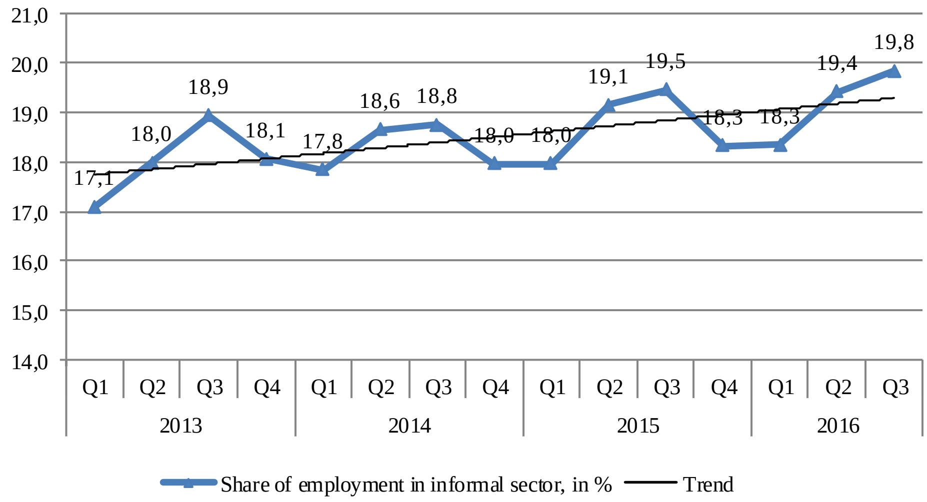

Fig. 14. Employment in the informal sector, % from total employment

Retaining workers by way of part-time employment was another damper on unemployment growth in 2016-2016. Rosstat data related to workers of large and medium-size enterprises, which covered three quarters of 2016, demonstrated that a growing number of businesses resorted to this type of policy in 2016 (*Fig. 15*). This being said, the last quarter usually posts this index above the average level. That is why, we can expect final total will be still higher.

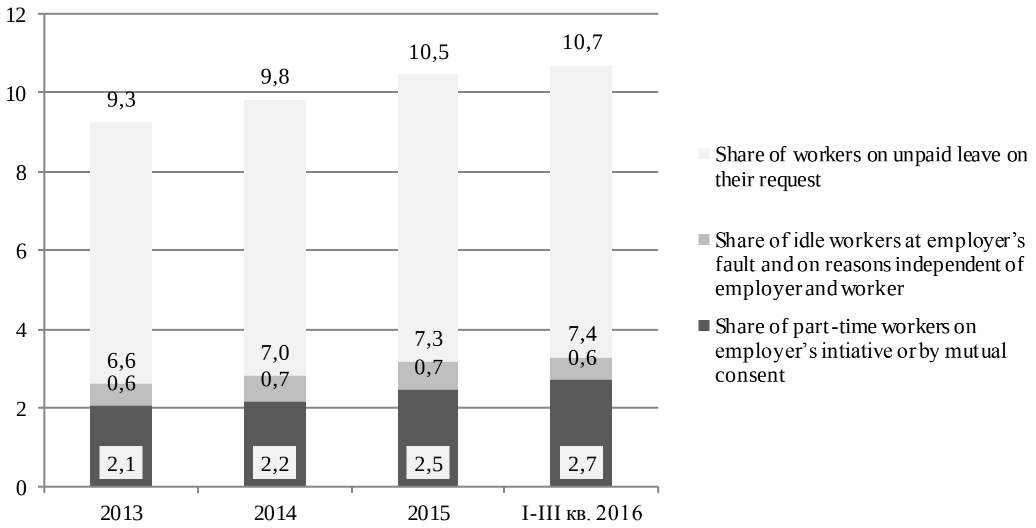

Fig. 15. Share of part-time workers in total headcount at large and medium-size enterprises, %

Rosstat data related to the labor market key indexes for 2016 demonstrates that the economy picked up out of the recession. Wages and unemployment stabilized at the 2015 level and the outflow of workers from large and medium-size enterprises declines to 2014 indicators. In contrast, employment in the informal sector and part-time employment growth is accelerating. In this context, it is useless to expect improvement amid lack of a rebound.

5.3. Social sentiment[1]

5.3.1. Vision of the scale of the crisis by the population

During 2016, estimates of economic situation stabilized. At the turn of the year (February 2016), 24% of respondents pointed to the situation being stable against 40% in autumn 2016 (*Table 1*). The respondents who consider the situation to deteriorate (insignificantly or largely) constitute 22.3% and 24.7%, respectively totaling to 47.0% of the population against 53% who view the situation as a full-scale crisis. This is down 17% against the turn of 2016. In this context, we can say that vision of economic stabilization is attributable to wider population stratums.

[1] This section provides assessments based on special survey of the population conducted by Institute of Social Analysis under RANEPA. Monitoring of social sentiment of the population is implemented in several stages regime in 2015-2016. Every year, there are 8 surveys based on comparative and representative sampling encompassing urban and rural population of Russia. Each survey includes 1,600 respondents. Statistical error does not exceed 3.4%.

Table 1

Breakdown of responses to the question:
"How economic situation changed recently?" in %

Changes	Share of given responses				
	February 2015	November2015	February2016	October 2016	November 2016
Improved	2.7	4.8	2.9	5.0	3.4
Unchanged	17.3	35.3	24.8	38.7	40.7
Deteriorated insignificantly	32.6	20.5	21.2	23.4	22.3
Deteriorated noticeably	37.1	26.0	38.5	24.7	24.7
Full scale crisis	7.9	9.3	9.9	4.7	6.1
No answer	2.4	4.1	2.7	3.5	2.8
Total	100	100	100	100	100

Prospects for bottoming out is less unanimous among respondent. The majority of respondents (31.8%) consider crisis to continue for 1-2 years to come - down 6% since the turn of the year. Fewer respondents (27.4%) view situation to be stable. The number of optimists considering the situation to improve remains unchanged during the year (around 10%) down 1% against the turn of the year. The number of pessimists considering negative outcome beyond 2 years stays at 15%. In the course of monitoring in 2016, the share of respondents without an answer varies around 15% (*Fig. 16*).

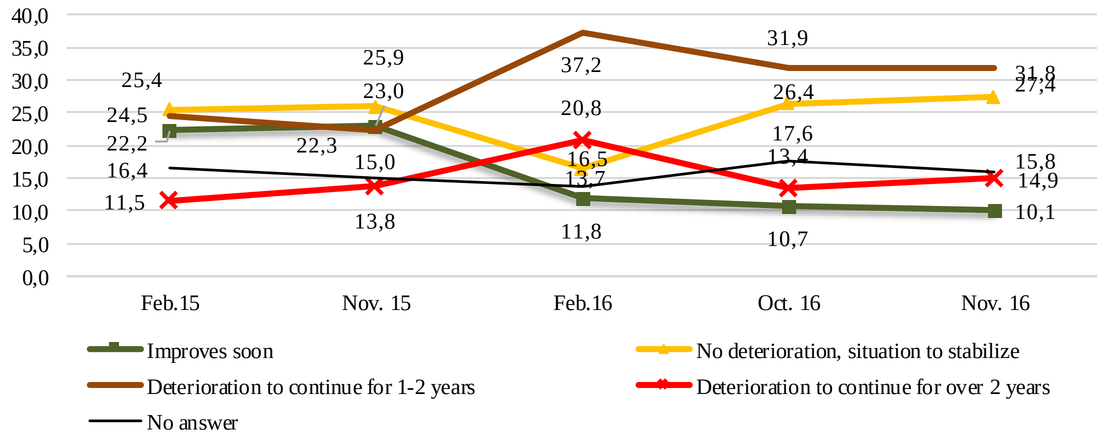

Fig. 16. Estimate of negative effects duration in economy, %

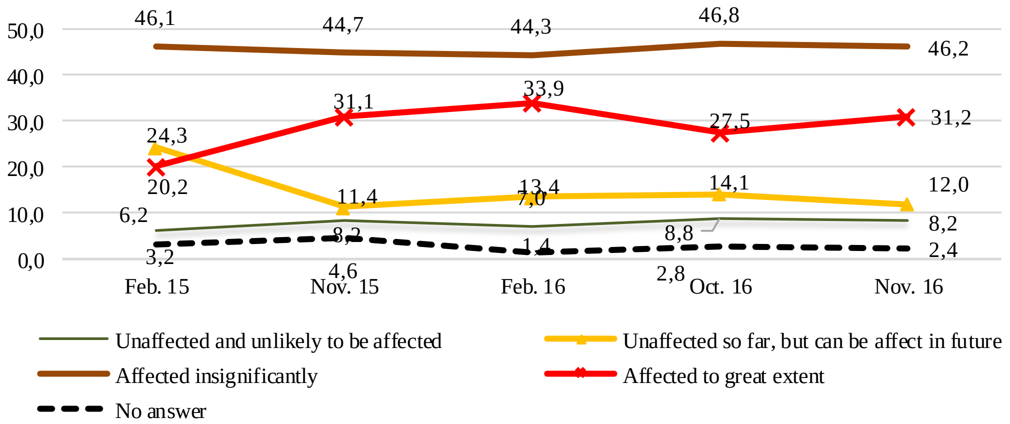

Fig. 17. Estimate of crisis developments impact, %

The number of respondents who in no way felt economic crisis did not exceed 7–8% during the year. Meanwhile, the number of respondents who suffered from the crisis varies around 75%, meanwhile 31%, according to the latest surveying, suffered to a great extent. In contrast, during entire 2016, 12–14% of respondents fear the crisis to find them in the years to come (*Fig. 17*).

5.3.2. Socio-economic implications of the crisis

According to the latest surveying (November 2016), around 30% of the working people feel threatened to loose job. In this regard, 56% of employed feel safe – up 6% against last month (*Fig. 18*).

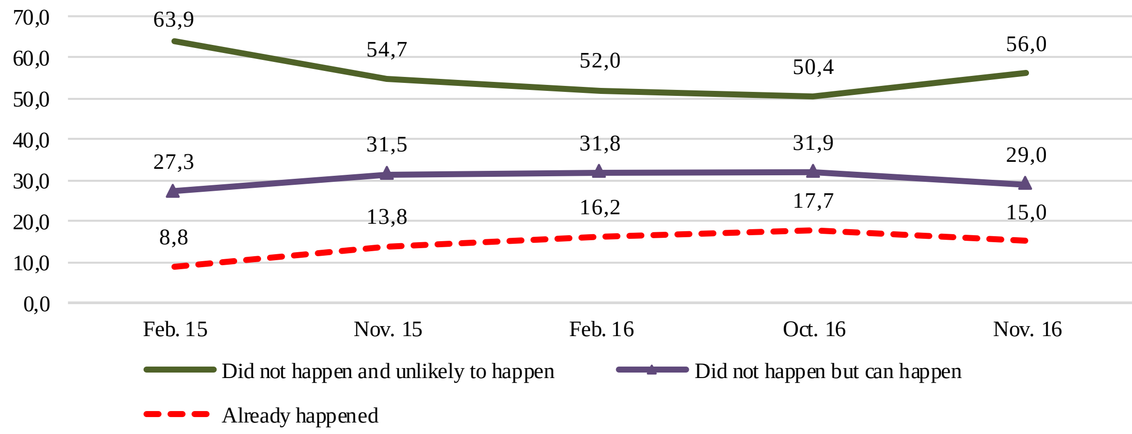

Fig. 18. Danger of job loss, in % to those who had job

Job loss (including with potential further employment) reported 15% of employed against 23.5% reported about real wage cut. Overhang of negative expectations in this regard is also high and throughout 2016 extended to 50% of employed (*Fig. 19*).

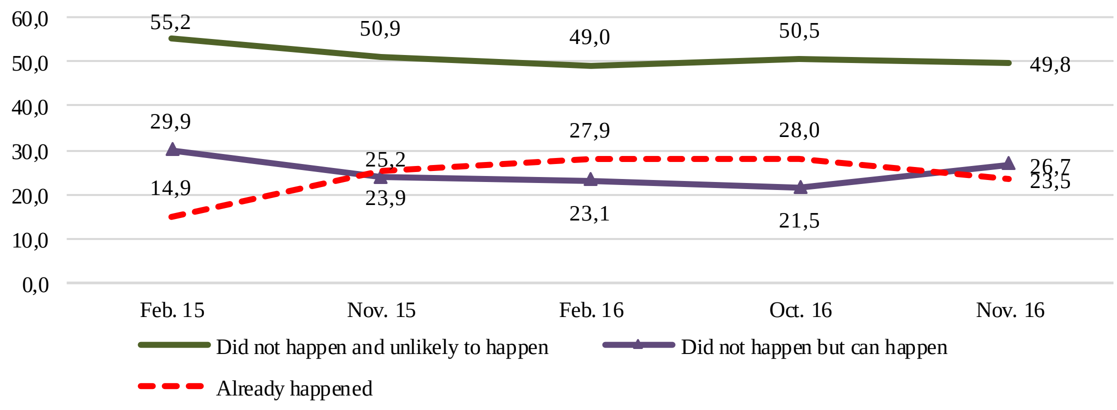

Fig. 19. The possibility of reducing wages,% of the number of employees

According to November 2016 data, there are other negative effects in the sphere of employment and the most widespread is wage arrears reported by 19.6% of respondents. At the same time, half of respondents against last month reported forced unpaid leave.

Table 2

Share of working respondents who reported negative effects in the sphere in employment, %

Negative implications	February 2015	November 2015	February 2016	October 2016	November 2016
Transition to part-time working week	4.8	4.6	7.4	6.7	6.0
Unpaid leave	2.9	2.3	6.1	10.0	4.7
Wage arrears	-	-	21.5	22.5	19.6
Informal types of labor remuneration	7.0	7.1	10.3	12.6	12.0

Latest surveying attested to a sustainable trend, which demonstrated contraction of goods and services consumption. Expenses on education, entertainment, trips abroad contracted against the previous month (*Table 3*). This being said, there was no growth of expenses on either of the examined lines.

Table 3

Share of respondents who reported contraction of expenses on goods and services, in % of those who prior to crisis consumed them

Refused / cut spending on:	February 2015	November 2015	February 2016	October 2016	November 2016
Purchase of certain products	53.3	49.2	54.1	49.0	51.9
Purchase of clothes and footwear	-	-	42.5	33.4	36.4
Purchase of certain drugs	25.6	19.4	26.5	24.2	25.9
Expenses on paid medical services	29.7	25.3	32.8	30.1	33.3
Expenses on paid educational services	30.3	24.3	28.4	28.5	36.2
Expenses on entertainment	52.6	51.0	58.2	50.0	57.5
Expenses on holidays abroad	60.3	59.1	64.0	55.0	61.5
Expenses on holidays in the country	47.8	42.6	44.4	41.2	49.5

5.3.3. Adaptive behavior of the population

Contraction of consumer activity was prevailing adaptive practice throughout 2016. All stratums including well-off citizens resorted to this practice. According to November 2016 data, contraction of expenses on good and services to a greater extent against a month earlier characterized consumer behavior of households with income above average one (*Table 4*). To what extent this trend is sustainable will be demonstrated by next surveys.

Table 4

Adaptive strategies in consumption depending on material well-being, in % in number респондентов

Level of material well-being (according self-assessment)	February 2015	November 2015	February 2016	October 2016	November 2016
Cut expenses on goods and services					
Low	84.1	86.6	88.4	85.0	91.9
Middle	68.5	74.0	75.4	76.2	78.2
Above middle	53.1	57.9	47.7	47.8	61.4
In tote	70.0	75.3	75.9	72.6	78.8
Store foodstuffs					
Low	43.4	39.6	41.4	44.6	40.5
Middle	31.4	31.6	29.4	30.2	32.6
Above middle	17.4	27.6	22.5	21.7	27.2
In tote	32.2	33.4	32.8	33.0	33.9

Cultivation of vegetables and fruits on private plots of land was second after cutting expenses prevailing adaptive practice (*Table 5*). At the same time, the number of people implementing labor adaptation remained unchanged compared to the turn of 2016.

Table 5

Adaptive behavior in employment, in % of number of respondents

Types of activity	February 2016	May 2016	October 2016	November 2016
Got second job	4.6	6.2	5.5	5.6
Got onetime side job	11.1	14.0	14.2	14.9
Got constant side jobs	6.7	9.5	8.0	7.0
Cultivated more vegetables and fruits	23.8	29.0	31.3	34.6

Those who suffered most from the crisis resort to a greater extent to labor and agricultural adaptive practices. However, they opt for private subsidiary farming even in this group (*Table 6*).

Vision of economic stability embraces wider stratums. Vision of bottoming out prospects is less unanimous. Around one third of the population think that the crisis will continue to 1-2 years to come. Over one third think there will be no deterioration.

Throughout 2016, the number of people who were unaffected by the crisis developments did not exceed 7-8%, meanwhile the number of those who suffered to any extent varied around 75%. This being said, 31% according to the latest surveying identified themselves as greatly affected by the crisis.

Table 6

Adaptation depending on impact of crisis developments, % of number of respondents

The impact of crisis developments	February 2016	May 2016	November 2016
Got second job			
To date unaffected	4.0	7.8	6.5
Affected insignificantly	5.4	4.5	4.2
Affected significantly	4.2	7.8	7.4
In tote	4.6	6.2	5.6
Got onetime and/or constant side jobs			
To date unaffected	11.0	17.5	14.2
Affected insignificantly	13.8	16.8	13.7
Affected significantly	15.8	20.2	25.8
In tote	13.9	17.9	17.5
Cultivated more vegetables and fruits			
To date unaffected	17.1	18.9	20.7
Affected insignificantly	24.2	28.2	33.4
Affected significantly	28.2	38.6	46.6
In tote	23.8	29.0	34.6

* * *

Economic crisis, which continues its run since 2014, has lost its strongly marked negative dynamics. The growing number of population point to increasingly stable situation. However, their opinion on recovery prospects is not so unanimous: one third of the population tends to consider the crisis to continue during 1–2 years to come, and one-fourth thinks that there will be no more degradation of the situation.

Thus, the new menace in the form of stagnation or the so-called negative stabilization, which means “tolerance for a negative” is about to replace the crisis. Stagnation entails consumer demand contraction, which becomes a wide pattern for the adaptive behavior of the population. It shapes new traits of consumer behavior characteristic not only of disadvantaged population but of the middle class as well. For example, following a two-year deceleration, the retail trade volumes shrank by 14.7% by the outcomes of 2016 against 2014 in constant prices. During last year, households bought less non-food products by 15.4%.

The above consumer behavior pattern has both negative expectations for deterioration and continuation of the crisis and objective concerns linked to the labor market changes. Despite a natural rate of unemployment, businesses enforce policy of wage reduction and introduce part-time working hours aimed at retaining qualified and skilled personnel. Despite the fact that 2016 saw acceleration of gross payroll and inflation deceleration, real household income only moves towards the pre-crisis levels.

Specified factors have also affected the level of population's well-being. In the course of monitoring period of prolonged depression of household real income, the per-capita income component in the subsistence level decreased. The number of "working poor" accelerated significantly. For example, prolonged deceleration both of household real cash income and of real pensions have led to the deterioration of material well-being of the population and have raised risks for subjective poverty and social exclusion concerns. Throughout 2016, the number of population who did not notice the crisis stayed within 7–8%. In contrast, the number of those who were affected by the crisis ranged around 75%, meanwhile 31% of them according to the latest surveying considered themselves to be hardly hit by the crisis.

5.4. Migration

5.4.1. Long-term migration

Global migration in 2016 failed to demonstrate significant changes in the volumes in comparison with volumes posted during recent years. By the period-end results for January-November, migrant inflow fell somewhat – 522,400 against 541,300 for the same period of 2015, and migrant outflow shrank to 281,400 against 326,400, respectively. Net migration grew owing to a reduction in migrant outflow numbers. According to projections, at year-end migrant inflow (immigration) will amount to around 570,000 persons, and migrant outflow (emigration) – to roughly 300,000. Net migration, according to our extrapolation estimate (*Fig. 20*), will number around 270,000 persons, i.e. exceed the level of 2015 (246,000), but on the whole will remain at the level posted during the last decade. The effect in the change of methodology for migrants count, which previously ensured volume growth of statistically registered migrant inflow and outflow of long-term migrants, seems to be exhausted.

In recent years, migration almost completely ensures growth of Russia's population because natural increase is small. However, migration solely partly can offset reduction of population size of productive age offsetting roughly 15% of annual losses in this age group.

Growth of positive migration balance in Russia compared to 2015 took place in the wake of significant reduction of this indicator in 2015 owing to lagged effect of registration growth for a period of 1-3 years in 2012–2013. Growth of indexes of positive migration balance was ensured thanks to recovery of positive migration balance with Uzbekistan (in 2015 it was negative, the number of registered migrant outflow exceeded the number of migrant inflow owing to above mentioned reason) and recovery of customary migration growth registered with Tajikistan. Ukraine became the main contributing country for Russia during last three years. Even in 2016, Ukraine ensured half of positive migration balance in international migration (*Table 7*). Kazakhstan was second contributing country. In January-November 2016 compared to the same period of the previous year, positive migration balance went up with regard to countries of central Asia and Kazakhstan, with Azerbaijan it remained flat at the 2015 level and regarding other CIS countries a reduction of this indicator was posted.

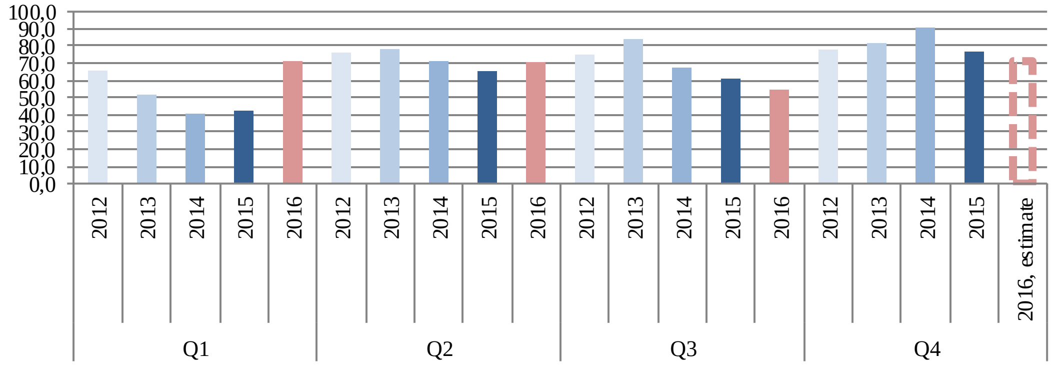

Fig. 20. Net migration in Russia in 2012–2016, quarter data,[1] thousand persons

Note. Data for Q4 20126 are calculated on the basis of distribution of numbers of migrant inflow and outflow in October and November 2015 and 2016.

In January-November 2016, migration gains were registered with non-CIS countries. However, one should be skeptical about the Rosstat data: according to comparable data released by recipient countries, migrant outflow from Russia for permanent residence in non-CIS countries is highly under registered.

As of the turn of 2016, temporary asylum in Russia was granted to 313,700 persons (nearly all arrived from Ukraine), and as of October 1, 2016 – 249,300 persons. In January-September, the number of those who got temporary asylum in Russian totaled to 17,200 persons against 130,300 persons who got temporary asylum during the corresponding period of 2015. In other words, the wave of forced migration to Russia is running its course. However, there are still risks for an upsurge of force migration from eastern Ukraine.

Table 7

Net migration in Russia from foreign countries 2012–2016, thousand persons

	2012	2013	2014	2015	2016, January-November
International migration, total	294.9	295.9	280.3	245.9	241.0
Including CIS countries	268.4	274.9	270.2	237.8	235.3
Azerbaijan	18.1	17.2	12.4	10.7	9.7
Armenia	32.0	32.2	24.0	20.6	10.8
Belorussia	10.2	3.7	6.8	4.9	2.0
Kazakhstan	36.7	40.2	40.8	34.8	33.6
Kirgizia	24.1	19.8	15.3	10.0	10.5
Moldavia	18.6	20.6	17.6	17.4	13.3
Tajikistan	31.4	33.6	19.4	11.4	24.9
Turkmenia	3.9	3.8	2.6	2.3	2.0
Uzbekistan	56.3	67.3	37.1	-20.4	18.4
Ukraine	37.0	36.4	94.4	146.1	110.1
Non-CIS countries	26.5	21.0	10.1	8.2	5.7

Source: Rosstat.

Internal migration in January-November 2016 remained practically flat in comparison with the corresponding period of 2015 growing by barely 6,500 persons or by 0.2%. The volume of internal migration will exceed 4 million persons at year-end. This number reflected changes in the methodology of migrants count. Since 2011, the recorded number of migrants was increased

[1] Sources: Rosstat, own calculations

by the addition of people who had been registered at their location for 9 or more months. This resulted in doubling the number of registered domestic migrants.

In January-November 2016, two metropolitan areas remain centers of attraction for domestic and foreign migrants – Moscow with the Moscow region, St. Petersburg with the Leningrad region), and Krasnodarsky Krai. Significant migration gains are attributed to the Republic of Crimea and Sebastopol, Tyumen, Novosibirsk, Kaliningrad, Voronezh, and Kaluga regions. Even such insignificant overall increase in migration gains resulted in a reduction of the number of regions who are shedding population due to population relocation. Migration gains resulting from the global migration compensate population decline due to domestic population relocation. In January-November 2016 compared to the corresponding period of the previous year, Moscow migration gains significantly declined from 99,600 to 19,500, which positively affected migration balance in the central regions of Russia, which to a great degree contribute to Moscow migration gains. Apparently, at year-end Moscow migration gains will not hit annual average values. However, on the whole, the metropolitan area remains the major center of attraction for migrants in Russia.

At the same time, migration leads to population decline in the majority of regions of the Volga, North-Caucasus, and Siberian federal okrugs. Population outflow goes on from all regions of the Far-Eastern federal okrug. At the turn of the year, there were reports regarding the migration loss in the regions of Far East. However, at the period-end of 11 months of 2016 these reports were not confirmed. Migration loss for this period declined from 22,000 in 2015 to 14,500 in 2016, and at year-end, it will be somewhat below the level of recent years. It is premature to talk about the reverse in the trend.

5.4.2. Temporary migration

In late 2016, there were 9.6 m foreign citizens in Russia. Starting from October, autumn reduction of the number of foreigners in Russia was observed, which was characteristic for the previous years (and less pronounced in 2015) following summer growth of the index (*Fig. 21*). On the whole, 2016 demonstrates a noticeable decline in the number of foreign arrivals compared to the 2013–2014 level and even with 2015. The difference came to over a million persons during certain months.

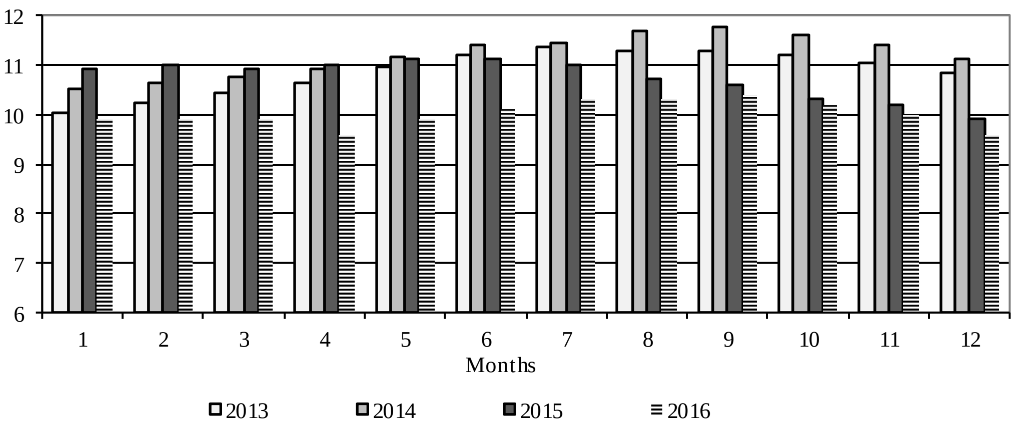

Fig. 21. Number of foreign citizens arriving to Russia at each month-end, 2013–2016, million persons

Sources: data released by Headquarters on migration issues of Russia's Interior Ministry, refusal of entry office.

The share of CIS citizens in the number of temporary migrants does not fall below 85%. At year-end, they totaled to 8.2 million persons (*Table 8*). Compared to the previous years, this number demonstrates downward trend by 5% compared with 2015 and 8% against 2014. Seasonal peak of foreigners inflow in 2016 (September) exceeded the minimum (April) by 700,000 persons (7%).

Table 8

Migrant inflow from CIS to Russia as of date, persons

	12.31.2015	12.31.2016
Azerbaijan	528,790	531,085
Armenia	474,527	459,878
Belorussia	648,895	713,446
Kazakhstan	642,808	573,572
Kirgizia	552,207	592,063
Moldavia	498,698	489,669
Tajikistan	870,226	872,509
Uzbekistan	1,819,140	1,511,344
Ukraine	2,537,246	2,443,047
CIS, total	8,572,537	8,186,613

Sources: data released by Headquarters on migration issues of Russia's Interior Ministry, refusal of entry office.

According to three-year statistical data regarding CIS migrants, there is a sustainable trend showing a declining labor migration from major contributing countries – by 30% from Uzbekistan on 2014, and by 13% from Tajikistan. On the contrary, it is growing from EAEU member states, including Kirgizia. Migrant inflow from Azerbaijan and Moldova is contracting. Meanwhile, the inflow of Ukrainian citizens remains high so far.

For the first time since mid-2014, downward trend regarding inflow of foreign citizens from non-CIS countries halted and even small growth was observed but at year-end, it again shrank. Compared to the pre-crisis 2013 level, the difference in the number of arrivals from non-CIS countries remains significant (*Table 9*) - more than twofold and regarding certain countries, such as the U.S.A., Spain, and Great Britain – 4-6-fold. Increase of arrivals from non-CIS countries posted in 2016 mainly reflected increased flow of tourists and to a lesser degree - students, work for hire, commercial and private visits.

Citizens from China hold the first place on the list of those arriving from non-CIS countries including "work for hire." Tourists contribute most to growth and to a lesser degree – academic exchange and private visits. Despite a change in rhetoric, the number of Turkish citizens is still falling. Regarding those arriving for work for hire Turkey dropped from the second place to the fourth behind labor migrants from North Korea and Vietnam.

Table 9

Stay of citizens from non-CIS countries in Russia as of date, persons

	11.13.2013	12.31.2016
Germany	352,335	109,145
Spain	77,200	14,356
Italy	77,193	26,509
Great Britain	174,061	26,854
Finland	108,312	97,508
France	65,559	27,953
EU total	1,177,829	494,839
USA	220,086	46,793
China	224,859	235,785
Turkey	124,858	52,797

Sources: data released by Headquarters on migration issues of Russia's Interior Ministry, refusal of entry office.

At the year-end of 2016, Russia hosted 3.55 million labor migrants seeking work for hire (as of December 31, 2015 – 3.78 m). Herewith, the number of those who has authorization documents for work (work permits and patents) for that date totaled to 1.65 million persons. If we take into account all labor migrants who have the right of work without authorization documents from EAEU countries (851,000 labor migrants seeking work for hire) the number will total to 2.5 million labor migrants who received an official righto work in the Russian Federation (which was optional for realization). In other words, at least one million persons are undocumented migrants from the point of view of official employment.

The number of legal labor migrants is below the 2015 level. During 2016, labor migrants received 1.67 million work permits and patents, which constituted 82% on the 2015 level and 45% of the 2014 level (*Table 10*). While analyzing the issues of the current situation, deteriorated economic conditions on Russia's labor market are inseparable from the high cost of getting and paying for authorization documents – both do not provide incentives to migrants to get out of "grey".

Table 10

Authorization documents for migrants' work in Russia, 2014–2016, persons

	2014	2015	2016
Work permits for foreign citizens (FC)*	1,334,899	177,175	133,215
Work permits for qualified specialists (QS)*	158,644	22,099	14,775
Work permits for highly qualified specialists (HQS)	34,225	41,829	25,469
Patents**	2,379,374	1,779,796	1,492,203
Total	3,907,142	2,020,899	1,665,662

* – From January 1, 2015 solely issued for FS from visa entry countries.

** – From January 1, 2015 solely issued for FS from visa-free regime countries for work both at individual and legal entities.

Sources: data released by Headquarters on migration issues of Russia's Interior Ministry, form 1-RD.

However, despite the smaller number of issued in 2016 patents, administration of this advance payment, apparently, improved significantly: the sum of tax obtained in 2015 constituted RUB 33 billion, and in 2016 – around RUB 45 billion. The share paid by migrants from different countries does not change – labor migrant from Uzbekistan and Tajikistan contribute 82% and migrants from Ukraine – barely 10% (to note, the latter are the largest group on the territory of Russia).